



Memorandum

Date: October 20, 2000

TO: Samuel E. Hull, Chief
Office of State Audits and Evaluations
Department of Finance
915 L Street
Sacramento, CA 95814

FROM: Jane Henderson
Executive Director
California Children & Families Commission
501 J Street, Suite 530
Sacramento, CA 95814

SUBJECT: RESPONSE TO AUDIT FINDINGS

I have reviewed the Draft Financial Statement and Performance Audit performed for the California Children & Families Commission (CCFC) covering the period from inception on January 1, 1999 through the end of Fiscal Year (FY) 1999/2000 to June 30, 2000. We believe the report fairly represents the CCFC, and is consistent with our own reviews and analysis.

We have specifically reviewed the findings and have prepared the following response for each one:

1. Five of the twenty-two tested claim schedules contained errors. These errors mainly involved inadequate documentation and questionable charges on travel expense claims.

Although concerned with the identification of these errors, we are heartened that the errors found only totaled less than \$500. We are also encouraged to discover that all of these errors occurred at a much earlier stage of the establishment of the CCFC. A detailed set of desk procedures, the addition of administrative staff with increased review and

controls have been established in the interim, and should eliminate similar errors.

2. CCFC incurred costs for penalties levied because of late invoice payments.

This problem arose because of the severe shortage of staff during the early development of the organization coupled with the need for highly skilled review of the invoices submitted. The addition of professional staff has eliminated this problem.

3. CCFC has not capitalized the purchase of a copier.

The tags needed to identify State equipment, serialized and unserialized have been ordered and will be applied as soon as they arrive. Additionally, recently acquired staff has been in the process of developing the organizational inventory and all necessary property controls.

4. CCFC did not request or receive the approval from the California Department of Finance required to accept gifts contributed by the Packard Foundation and the California Endowment.

CCFC was unaware that this type of approval was required when funds are not actually received by the state agency. In the future we will comply with the California Government Code.

5. CCFC disbursed funds to a county who had submitted a draft strategic plan, when according to statute this should have been delayed until the plan had been adopted by the county commission.

A new log has been developed to chart the submission of strategic plans and the adoption date of each in order to avoid future errors of this type.

In almost every case the errors identified in these five findings occurred as the result of the development process encountered by a completely new state organization. As additional professional and support staff have been acquired, the potential for future similar errors has been obviated. However, this audit has proven very valuable to CCFC by identifying areas that still require attention. We look forward to a continuing relationship with the Office of State Audits and Evaluations to assist us in establishing a well-ordered and well-controlled operation. We particularly welcome their review of our internal controls to help us ensure that these findings are not replicated in the future.